

Tai Ping Carpets International Limited

Interim Report
2017

Incorporated in Bermuda with Limited Liability
Stock Code: 146



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Management Discussion & Analysis

The Board of Directors (the "Board") of Tai Ping Carpets International Limited (the "Company") hereby presents the Interim Report and condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017. The condensed consolidated income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity of the Group for the six months ended 30 June 2017, and the condensed consolidated statement of financial position as at 30 June 2017, along with selected explanatory notes, all of which are unaudited and reviewed by the Audit Committee of the Company, can be found on pages 11 to 37 of this report.

BUSINESS REVIEW

The Group's consolidated turnover for the six months ended 30 June 2017 was HK\$446 million, compared to HK\$508 million in 2016, down 12% compared to prior period.

Over the same period, and as projected in the Chairman's Statement of the 2016 Annual Report, the Company also incurred significant non-recurring and one-off costs. HK\$30 million of this was linked to the continued downsizing of its Nanhai facility, HK\$6 million related to the construction and commissioning its new Xiamen plant in Fujian Province, and a further HK\$6 million was incurred in professional fees pursuant to the proposed sale of the Commercial business.

The Group's loss attributable to the equity holders of the Company is HK\$120 million, an increase of HK\$26 million versus the previous period loss of HK\$94 million.

CARPET OPERATIONS

First half turnover from carpet operations at HK\$432 million was 12% down compared to prior year mainly driven by weak sales in the Americas.

The gross profit margin was down from 46% to 42% with cost of sales impacted by some of the non-recurring expenses mentioned above. The normalised figures indicate a reduction in margin of 3% driven by a change in the mix of sales compared to 2016. For the six months ended 30 June 2017, sales of lower margin goods in Asia and EMEA were up, while sales of higher margin product into the USA, private Aviation and Yacht were well down compared to prior period.

The Americas

At HK\$150 million, turnover in the Americas was down 26% compared to the first half of 2016. The business had a particularly slow start to the year following a very strong last quarter of 2016, and trading has continued to be sluggish through the second quarter. In this region in particular, news of the Company's strategic review announced late in 2016 has caused uncertainty both externally and internally. Unusually high staff turnover has combined with marketplace rumours to drive a temporary reduction in business.

Both the Commercial and Artisan sides of the business have been affected – Commercial and Hospitality sales were down by 24% to HK\$90 million, and Artisan sales were down 28% at HK\$60 million.

The recent announcement to the stock exchange confirming the proposed sale of the Commercial business has enabled proactive communication to reassure both customers and employees, so the second half should see improvement.

Asia

At HK\$208 million, turnover in Asia was up 5% compared to the first half of 2016.

Hospitality and Commercial sales were up by 10% at HK\$166 million while the Artisan side was down 13% at HK\$42 million.

Europe, the Middle East and Africa ("EMEA")

First half turnover in EMEA was down 20% to HK\$74 million partly due to a number of large projects that shipped in the comparative period in 2016. Stronger bookings in the second quarter point to a considerable improvement flowing through the balance of the year.

Manufacturing Operations

Output from the first phase of the new Artisan workshop in Xiamen has increased quickly since the beginning of the year, growing from around 2,500 square meters in January to 6,500 square meters in June. Skill levels are improving and the facility is now operating at around 90% of its planned output. Unit costs are reducing and the dependency on lower margin third-party supply is reduced. With output close to plan, management focus is on delivering the efficiency, productivity and material utilisation improvements needed to bring the cost of manufacture to target levels.

Management Discussion & Analysis

Construction of the second phase will be completed around the end of the year, allowing room for growth consistent with the company's longer term Artisan strategy.

The Group's other major facility – in Pathumthani, Thailand – is included in the proposed sale of the Commercial business.

NON-CARPET OPERATIONS

Other operations comprise mainly our Group's U.S. based yarn-dyeing subsidiary and only represent 3% of the Group's sales. The operation is close to break-even for the first half of the year.

OUTLOOK

We enter the second half with an order book that is slightly weaker than prior year but with the uncertainty around the strategic review diminishing. In addition, normal seasonality means that the second half of the year is always stronger and it is expected that trading and performance will start to catch-up.

The proposed disposal of the Commercial business will contribute to further one-off costs and revenues in the second half. The expected proceeds from sale will be partially absorbed in the completion of manufacturing relocation as well as a restructuring and rationalisation program in the retained business, required to drive go-forward profitability.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2016: Nil).

CAPITAL EXPENDITURE

Capital expenditure in the form of property, plant and equipment, leasehold land and land use rights, construction in progress and intangible assets incurred by the Group totaled HK\$55 million during the six months ended 30 June 2017 (2016: HK\$50 million). As at 30 June 2017, the aggregate net book value of the Group's property, plant and equipment, leasehold land and land use rights, construction in progress and intangible assets amounted to HK\$480 million (as at 31 December 2016: HK\$439 million).

LIQUIDITY & FINANCIAL RESOURCES

The Group coordinates its financing and cash management activities at the corporate level. As at 30 June 2017, the Group had total cash and cash equivalents including short term fixed deposits and financial assets at fair value through profit or loss (maturity within 12 months) amounting to HK\$192 million (as at 31 December 2016: HK\$233 million); and total bank borrowings amounting to HK\$198 million (as at 31 December 2016: HK\$119 million).

DETAILS OF CHARGES ON THE GROUP'S ASSETS

The Group had charges on bank deposits of HK\$1 million (as at 31 December 2016: HK\$2 million) made to a bank in securing the purchase of goods from the Group's suppliers and to pledge for utilities of factory in the P.R.C..

EXPOSURE TO FOREIGN EXCHANGE RISKS

The Group has overseas operations in the U.S., Europe, Thailand, the P.R.C., Singapore, India and Argentina. The Group treats its investments in these foreign operations as permanent equity, so exchange differences from translating the net investments in these foreign operations do not affect cash flows and are dealt with in the reserves.

The Group's sales are denominated primarily in U.S. dollars, and to a lesser extent in Thai Baht and Euro and a variety of other currencies.

The Group recorded a net exchange gain of HK\$3 million for the six months ended 30 June 2017 which was mainly attributable to the translation of foreign operations of net assets denominated in Chinese Renminbi during the period.

HUMAN RESOURCES & REMUNERATION POLICIES

The number of employees has decreased by 5% since the start of the year consistent the continued downsizing of Nanhai operations. The total number of employees at end of June 2017 stands at 2,634 compared to 2,773 at the end of 2016.

Employees are remunerated according to the nature of the job and market trends, with built-in merit components incorporated as an annual incentive to reward and motivate individual performance.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group's total contingent liabilities amounted to HK\$13 million (as at 31 December 2016: HK\$21 million).

ASSET HELD FOR SALE

Our minority shareholding in PCMC continues to be classified as an asset held for sale. The underlying factory site in Manila is currently being marketed for sale by PCMC, after which our intention is to sell or otherwise unwind our shareholding, which we fully expect to happen in the next 12 months.

James H. Kaplan
Chief Executive Officer

Hong Kong, 30 August 2017

Corporate Governance & Other Information

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance. The Company has complied with the code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2017 except the following:

The Company’s Non-Executive Directors are not appointed for specific terms as required by code provision A.4.1 of the CG Code. However, the relevant Bye-laws of the Company require that every Director would retire by rotation at least once every three years, which is in line with the CG Code.

In respect of code provision A.6.7 of the CG Code, all Non-Executive Directors (including Independent Non-Executive Directors) attended the annual general meeting of the Company (the “AGM”) held on 19 May 2017 except Mr. David C. L. Tong and Mr. John J. Ying (Non-Executive Directors) due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors’ transactions in the securities of the Company (the “Tai Ping Code”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Tai Ping Code during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Company has set up an Audit Committee on 23 September 2005 and the terms of reference of the Audit Committee are aligned with the CG Code. Under these terms of reference, the responsibilities of the Audit Committee include overseeing the relationship with the Company’s external auditor (including making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approving the audit fee and reviewing the audit scope), review of financial information of the Group, oversight of the Group’s financial reporting system and internal controls.

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Company as well as the internal control procedures of the Company, and discussed financial reporting matters, including the review of interim financial information for the six months ended 30 June 2017.

CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS

Change in director's biographical details since the date of the 2016 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Andrew C. W. Brandler, a Non-Executive Director of the Company, was appointed as an Independent Non-Executive Director of MTR Corporation Limited ("MTR") with effect from the conclusion of the 2017 annual general meeting of MTR on 17 May 2017.

Mr. Aubrey K. S. Li, an Independent Non-Executive Director of the Company, resigned as an Independent Non-Executive Director of China Everbright International Limited on 24 May 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

RESIGNATION OF EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. James H. Kaplan has tendered his resignation as an Executive Director and Chief Executive Officer ("CEO") of the Company and will cease to be a member of the Executive Committee of the Company, all with effect from 1 January 2018, in order to devote more time to pursue his personal interests.

The Board has identified a suitable candidate for the position of CEO and is in the process of agreeing the formal terms of the appointment.

An announcement in respect of the resignation of Mr. Kaplan was made on 22 June 2017 and the Company will make further announcement as soon as practicable after the appointment of the new CEO.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2017. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's shares during the period.

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN THE SHARE, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY

As at 30 June 2017, the interests of the Directors and chief executive in the shares of the Company and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK\$0.10 each in the Company as at 30 June 2017

No. of ordinary shares held (long position)

Name	Personal Interests (held as beneficial owner)	Corporate Interests (interests of controlled corporation)	% of the issued share capital of the Company
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Nelson K. F. Leong	700,000	2,182,000 ¹	1.358%
John J. Ying	–	32,605,583 ²	15.366%
Aubrey K. S. Li	100,000 ³	–	0.047%
James H. Kaplan	522,000	–	0.246%

Notes:

- ¹ 2,000,000 shares are held by Gainsborough Associates Limited and 182,000 shares are held by Fontana Enterprises Limited, companies in which Mr. Nelson K. F. Leong holds 33.33% and 40% equity interests respectively and have controlling interest.
- ² The shares are held by Peak Capital Partners I, L.P. of which Mr. John J. Ying is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).
- ³ The shares are jointly held by Mr. Aubrey K. S. Li and his spouse.

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interests in the shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following interests, being 5% or more in the issued ordinary share capital of the Company.

Name	No. of ordinary shares held in the Company of HK\$0.10 each (long position)	% of the Issued share Capital of the Company
Acorn Holdings Corporation ¹	40,014,178	18.858%
Bermuda Trust Company Limited ¹	40,014,178	18.858%
Harneys Trustees Limited ¹	77,674,581	36.607%
Lawrencium Holdings Limited ¹	77,674,581	36.607%
The Mikado Private Trust Company Limited ¹	77,674,581	36.607%
The Hon. Sir Michael Kadoorie ¹	77,674,581	36.607%
Peak Capital Partners I, L.P. ²	32,605,583	15.366%

Notes:

¹ Bermuda Trust Company Limited is deemed to be interested in the same 40,014,178 shares in which Acorn Holdings Corporation is interested. The Mikado Private Trust Company Limited and Harneys Trustees Limited are deemed to be interested in the same 77,674,581 shares in which Lawrencium Holdings Limited is interested. For the purpose of the SFO, the spouse of the Hon. Sir Michael Kadoorie has a duty of disclosure in Hong Kong in relation to the 77,674,581 shares. The interest disclosed by the spouse of the Hon. Sir Michael Kadoorie is that of the Hon. Sir Michael Kadoorie attributed to her under the SFO. Except the above, she has no interest, legal or beneficial in those shares.

² Mr. John J. Ying (a Non-Executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the period.

Condensed Consolidated Income Statement

For the six months ended 30 June

	Note	Unaudited	
		2017	2016
		HK\$'000	HK\$'000
Revenue	6	446,242	507,822
Cost of sales		(263,730)	(274,802)
Gross profit		182,512	233,020
Distribution costs	7	(161,675)	(165,668)
Administrative expenses	7	(141,599)	(152,683)
Other gains – net	8	4,658	5,445
Operating loss		(116,104)	(79,886)
Finance income		83	348
Finance costs		(83)	(12)
Finance income – net	9	–	336
Loss before income tax		(116,104)	(79,550)
Income tax expense	10	(5,373)	(20,871)
Loss for the period		(121,477)	(100,421)
Loss attributable to:			
owners of the Company		(120,419)	(93,616)
non-controlling interests		(1,058)	(6,805)
		(121,477)	(100,421)
Loss per share attributable to the owners			
of the Company during the period (expressed in HK cents per share)			
Basic/diluted	12	(56.75)	(44.12)

The notes on pages 17 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

	Unaudited	
	2017	2016
	HK\$'000	HK\$'000
Loss for the period	(121,477)	(100,421)
Other comprehensive income:		
Item that may be reclassified to profit or loss		
Currency translation differences	28,101	2,147
Other comprehensive income for the period, net of tax	28,101	2,147
Total comprehensive loss for the period	(93,376)	(98,274)
Attributable to:		
owners of the Company	(93,426)	(90,886)
non-controlling interests	50	(7,388)
	(93,376)	(98,274)

The notes on pages 17 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 Jun 2017 HK\$'000	Audited 31 Dec 2016 HK\$'000
Assets			
Non-current assets			
Land use rights	13	28,328	27,785
Property, plant & equipment	14	197,456	204,992
Construction in progress	14	228,155	177,951
Intangible assets	15	26,043	28,707
Deferred income tax assets		8,494	7,530
Prepayments	16	11,656	13,570
Pledged bank deposits	17	286	277
		500,418	460,812
Current assets			
Inventories		276,607	217,072
Trade & other receivables	16	220,280	300,535
Derivative financial instruments		244	–
Financial assets at fair value through profit or loss		120,356	89,220
Current income tax assets		15,792	14,460
Pledged bank deposits	17	709	2,058
Fixed deposits	18	–	389
Cash & cash equivalents	19	71,560	143,746
		705,548	767,480
Non-current asset held for sale	20	17,192	17,192
		722,740	784,672
Total assets		1,223,158	1,245,484

The notes on pages 17 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 Jun 2017 HK\$'000	Audited 31 Dec 2016 HK\$'000
Equity			
Equity attributable to owners of the Company			
Share capital	21	21,219	21,219
Reserves	22	339,975	312,982
Retained earnings:			
Proposed final dividend		–	6,366
Others		221,475	341,894
		582,669	682,461
Non-controlling interests		34,706	34,656
Total equity		617,375	717,117
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		4,816	4,816
Retirement benefit obligations		32,552	28,857
Other long-term liabilities		–	1,200
		37,368	34,873
Current liabilities			
Trade & other payables	23	363,181	358,860
Derivative financial instruments		–	108
Bank borrowings – unsecured	24	198,027	119,211
Current income tax liabilities		7,207	15,315
		568,415	493,494
Total liabilities		605,783	528,367
Total equity & liabilities		1,223,158	1,245,484
Net current assets		154,325	291,178
Total assets less current liabilities		654,743	751,990

The notes on pages 17 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2016	21,219	189,699	139,137	386,860	736,915	42,070	778,985
Comprehensive income							
Loss for the period	-	-	-	(93,616)	(93,616)	(6,805)	(100,421)
Other comprehensive income for the period							
Currency translation differences	-	-	2,730	-	2,730	(583)	2,147
Total other comprehensive income/(loss) for the period, net of tax	-	-	2,730	-	2,730	(583)	2,147
Total comprehensive Income/(loss) for the period	-	-	2,730	(93,616)	(90,886)	(7,388)	(98,274)
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividends for 2015	-	-	-	(6,366)	(6,366)	-	(6,366)
Dividend paid to non-controlling interests	-	-	-	-	-	(711)	(711)
Total transactions with owners	-	-	-	(6,366)	(6,366)	(711)	(7,077)
Balance at 30 June 2016	21,219	189,699	141,867	286,878	639,663	33,971	673,634
Balance at 1 January 2017	21,219	189,699	123,283	348,260	682,461	34,656	717,117
Comprehensive income							
Loss for the period	-	-	-	(120,419)	(120,419)	(1,058)	(121,477)
Other comprehensive income for the period							
Currency translation differences	-	-	26,993	-	26,993	1,108	28,101
Total other comprehensive income for the period, net of tax	-	-	26,993	-	26,993	1,108	28,101
Total comprehensive income/(loss) for the period	-	-	26,993	(120,419)	(93,426)	50	(93,376)
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividends for 2016	-	-	-	(6,366)	(6,366)	-	(6,366)
Total transactions with owners	-	-	-	(6,366)	(6,366)	-	(6,366)
Balance at 30 June 2017	21,219	189,699	150,276	221,475	582,669	34,706	617,375

The notes on pages 17 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Note	Unaudited	
		2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(54,960)	35,095
Settlement of derivative financial instruments		–	(36)
Retirement benefit paid		(275)	(349)
Income tax paid		(14,218)	(14,605)
Withholding tax paid		–	(10,352)
Interest paid		(1,808)	(13)
Net cash (used in)/generated from operating activities		(71,261)	9,740
Cash flows from investing activities			
Purchases of property, plant & equipment and construction in progress		(50,547)	(45,732)
Acquisition of intangible assets		(2,468)	(2,607)
Proceeds from disposal of property, plant & equipment		139	84
Proceeds from disposal of financial assets at fair value through profit or loss		337,902	323,992
Purchase of financial assets at fair value through profit or loss		(363,185)	(252,364)
Decrease in fixed deposits		389	16,549
Interest received		83	348
Net cash (used in)/generated from investing activities		(77,687)	40,270
Cash flows from financing activities			
Proceeds from borrowings		90,993	70,332
Repayments of borrowings		(12,339)	(75,022)
Decrease in pledged bank deposits		1,340	1,603
Dividend paid		(6,343)	(6,992)
Net cash generated from/(used in) financing activities		73,651	(10,079)
Net (decrease)/increase in cash & cash equivalents		(75,297)	39,931
Cash & cash equivalents at beginning of period		143,746	153,800
Exchange gains/(losses) on cash & cash equivalents		3,111	(869)
Cash & cash equivalents at end of period	19	71,560	192,862

The notes on pages 17 to 37 are an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

Tai Ping Carpets International Limited (“the Company”) and its subsidiaries (together “the Group”) are principally engaged in the manufacture, import, export and sale of carpets, manufacture and sale of yarns and sale of leather.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM EX, Bermuda. The principal office in Hong Kong is located at 33rd Floor, Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 30 August 2017.

These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

3. CHANGES IN ACCOUNTING STANDARDS

Except as described below, accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2016, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards and interpretations which are mandatory for the first time for the financial period beginning 1 January 2017 but have no material impact to the Group.

Annual Improvements Project	Annual Improvements 2014-2014 Cycle (amendments)
HKAS 7	Disclosure initiative (amendments)
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendments)

4. ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes (see Note 10).

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

There have been no changes in the risk management department since year end or in any risk management policies.

(a) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the end of the financial period, the Group held cash and cash equivalents of HK\$71,560,000 (as at 31 December 2016: HK\$143,746,000) (Note 19) that are expected to readily generate cash inflows for managing liquidity risk.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the condensed consolidated statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows:

As at 30 June 2017	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Between 1 & 2 years HK\$'000	Between 2 & 5 years HK\$'000	Total HK\$'000
Trade & other payables	-	167,977	-	-	167,977
Bank borrowings – unsecured	193,750	4,277	-	-	198,027
	193,750	172,254	-	-	366,004

As at 31 December 2016	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Between 1 & 2 years HK\$'000	Between 2 & 5 years HK\$'000	Total HK\$'000
Trade & other payables	-	208,954	-	-	208,954
Bank borrowings – unsecured	116,250	2,961	-	-	119,211
	116,250	211,915	-	-	328,165

(b) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at the condensed consolidated statement of financial position date by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2017, within the fair value hierarchy.

As at 30 June 2017	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss:				
Mutual funds	120,356	–	–	120,356
Derivative financial instruments:				
Foreign currency forward contracts	–	244	–	244
	120,356	244	–	120,600

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016, within the fair value hierarchy.

As at 31 December 2016	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss:				
Mutual funds	89,220	–	–	89,220
Liabilities				
Derivative financial instruments:				
Foreign currency forward contracts	–	(108)	–	(108)
	89,220	(108)	–	89,112

There are no transfer between level 1 and 2 during the period.

The fair value of mutual funds which are traded in active markets is based on quoted market prices at the condensed consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the mutual fund held by the Group is the current bid price, of which the mutual fund is classified as level 1.

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure fair value of an instrument are observable, the instrument is included in level 2.

6. REVENUE & SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Sale of carpets	388,102	451,597
Sale of underlays	6,704	6,878
Installation of carpets	17,640	12,472
Interior furnishings	18,306	21,243
Sale of yarns	12,850	13,963
Sale of raw materials	2,640	1,669
Other	–	–
	446,242	507,822

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors (the "Board") which are used to assess performance and allocate resources. The Board assesses the performance in the following geographical areas: Asia, Europe, the Middle East and Africa ("EMEA"), North America and South America.

The Board assesses the performance of the operating segments based on a measure of segment results. Segment results represent the operating profit/loss of each business segment and the effects of gain/loss and income/expenditure which are considered relevant in assessing the segment's performance.

6. REVENUE & SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment information provided to the management for the reportable segments for the six months ended 30 June 2017 and 2016 is as follows:

For the six months ended 30 June 2017

	Asia	EMEA	North America	South America	Unallocated	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	207,718	74,099	152,532	11,893	-	446,242
Cost of production ¹	(155,790)	(41,319)	(85,263)	(7,753)	-	(290,125)
Segment gross margin	51,928	32,780	67,269	4,140	-	156,117
Segment results	(23,631)	(33,070)	(53,640)	977	-	(109,364)
Unallocated expenses ²						(6,740)
Operating loss						(116,104)
Finance income						83
Finance costs						(83)
Loss before income tax						(116,104)
Income tax expense						(5,373)
Loss for the period						(121,477)
Capital expenditure	(53,324)	(373)	(1,043)	-	-	(54,740)
Depreciation of property, plant & equipment (Note 14)	(18,961)	(1,429)	(3,517)	(7)	(40)	(23,954)
Amortisation of land use rights (Note 13)	(304)	-	-	-	-	(304)
Amortisation of intangible assets (Note 15)	(5,328)	-	(65)	-	-	(5,393)
Recovery of/(Allowance for) impairment of trade receivables, net	111	(385)	(503)	-	-	(777)

6. REVENUE & SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

For the six months ended 30 June 2016

	Asia	EMEA	North America	South America	Unallocated	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	197,806	92,607	213,634	3,775	-	507,822
Cost of production ¹	(142,213)	(44,493)	(120,779)	(3,001)	-	(310,486)
Segment gross margin	55,593	48,114	92,855	774	-	197,336
Segment results	(28,872)	(16,472)	(26,250)	(5,770)	-	(77,364)
Unallocated expenses ²						(2,522)
Operating loss						(79,886)
Finance income						348
Finance costs						(12)
Loss before income tax						(79,550)
Income tax expense						(20,871)
Loss for the period						(100,421)
Capital expenditure	(9,967)	(827)	(1,456)	-	(37,620)	(49,870)
Depreciation of property, plant & equipment (Note 14)	(18,527)	(1,668)	(4,157)	(5)	(456)	(24,813)
Amortisation of land use rights (Note 13)	-	-	-	-	(321)	(321)
Amortisation of intangible assets (Note 15)	(5,008)	-	(65)	-	-	(5,073)
(Allowance for)/recovery of impairment of trade receivables, net	(345)	(933)	142	(17)	-	(1,153)

Notes:

¹ Cost of production comprises cost of sales, transportation and administrative expenses of the factories, which are classified as distribution costs and administrative expenses in the condensed consolidated income statement.

² Unallocated expenses include corporate expenses and income of the Group.

7. EXPENSES BY NATURE

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Depreciation of property, plant & equipment (Note 14)	23,954	24,813
Amortisation of land use rights (Note 13)	304	321
Amortisation of intangible assets (Note 15)	5,393	5,073
Allowance for impairment of trade receivables, net	777	1,153
Allowance for impairment of inventories	2,306	2,312
Bad debts written off	403	175

8. OTHER GAINS – NET

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Gain on disposal of financial assets at fair value through profit or loss	579	992
Gain on disposal of property, plant & equipment	135	47
Property, plant & equipment written off	(533)	(16)
Gain on change in fair value of derivative financial instruments	358	–
Gain on disposal of raw materials	849	2,428
Net foreign exchange gain	2,826	68
Others	444	1,926
	4,658	5,445

9. FINANCE INCOME – NET

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	(83)	(12)
Finance income – interest income from banks	83	348
Finance income – net	–	336

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Current income tax		
Hong Kong	–	3,151
PRC & overseas	6,342	4,784
Over-provision in prior years	(417)	–
Withholding tax	–	10,352
Deferred income tax (credit)/expense	(552)	2,584
Income tax expense	5,373	20,871

Income tax expense is recognised based on management's estimate of the weighted average income tax rate expected for the full financial period. The estimated weighted average income tax rate for the period ended 30 June 2017 is 29% (2016: 31%).

11. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2016: Nil). The 2016 final dividend was paid on 16 June 2017.

12. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017	2016
Loss attributable to owners of the Company (HK\$'000)	(120,419)	(93,616)
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic loss per share (HK cents)	(56.75)	(44.12)

The Group had no dilutive potential shares outstanding during the period ended 30 June 2017 and 2016.

13. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
Outside Hong Kong, held on leases of between 10 and 50 years	28,328	27,785

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
At beginning of the period/year	27,785	30,309
Exchange differences	847	(1,892)
Amortisation of land use rights (Note 7)	(304)	(632)
At end of the period/year	28,328	27,785

14. PROPERTY, PLANT & EQUIPMENT AND CONSTRUCTION IN PROGRESS

For the six months ended 30 June 2017

	Property, plant & equipment			Construction in progress	Total
	Buildings	Other assets	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017					
Cost or valuation	152,528	783,826	936,354	177,951	1,114,305
Accumulated depreciation	(106,753)	(624,609)	(731,362)	–	(731,362)
Net book amount	45,775	159,217	204,992	177,951	382,943
Period ended 30 June 2017					
Opening net book amount	45,775	159,217	204,992	177,951	382,943
Additions	–	2,387	2,387	49,885	52,272
Transfer from construction in progress	–	5,985	5,985	(5,985)	–
Disposals	–	(4)	(4)	–	(4)
Assets written off	–	(533)	(533)	–	(533)
Depreciation (Note 7)	(1,574)	(22,380)	(23,954)	–	(23,954)
Exchange differences	2,573	6,010	8,583	6,304	14,887
Closing net book amount	46,774	150,682	197,456	228,155	425,611
At 30 June 2017					
Cost or valuation	160,510	813,374	973,884	228,155	1,202,039
Accumulated depreciation	(113,736)	(662,692)	(776,428)	–	(776,428)
Net book amount	46,774	150,682	197,456	228,155	425,611

14. PROPERTY, PLANT & EQUIPMENT AND CONSTRUCTION IN PROGRESS (CONTINUED)

For the six months ended 30 June 2016

	Property, plant & equipment			Construction in progress	Total
	Buildings	Other assets	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016					
Cost or valuation	155,233	789,683	944,916	115,786	1,060,702
Accumulated depreciation	(106,474)	(600,195)	(706,669)	–	(706,669)
Net book amount	48,759	189,488	238,247	115,786	354,033
Period ended 30 June 2016					
Opening net book amount	48,759	189,488	238,247	115,786	354,033
Additions	–	5,131	5,131	42,132	47,263
Transfer from construction in progress	–	3,054	3,054	(3,054)	–
Disposals	(5)	(32)	(37)	–	(37)
Assets written off	–	(16)	(16)	–	(16)
Depreciation (Note 7)	(1,603)	(23,210)	(24,813)	–	(24,813)
Exchange differences	1,183	763	1,946	(2,735)	(789)
Closing net book amount	48,334	175,178	223,512	152,129	375,641
At 30 June 2016					
Cost or valuation	157,725	797,836	955,561	152,129	1,107,690
Accumulated depreciation	(109,391)	(622,658)	(732,049)	–	(732,049)
Net book amount	48,334	175,178	223,512	152,129	375,641

15. INTANGIBLE ASSETS

For the six months ended 30 June 2017

	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
At 1 January 2017						
Cost	7,169	69,037	1,950	1,937	2,768	82,861
Accumulated amortisation & impairment	(7,169)	(44,034)	-	(1,163)	(1,788)	(54,154)
Net book amount	-	25,003	1,950	774	980	28,707
Period ended 30 June 2017						
Opening net book amount	-	25,003	1,950	774	980	28,707
Additions	-	2,468	-	-	-	2,468
Amortisation (Note 7)	-	(5,240)	-	(64)	(89)	(5,393)
Written off	-	(1)	-	-	-	(1)
Exchange differences	-	1	188	-	73	262
Closing net book amount	-	22,231	2,138	710	964	26,043
At 30 June 2017						
Cost	7,169	71,505	2,138	1,937	2,925	85,674
Accumulated amortisation & impairment	(7,169)	(49,274)	-	(1,227)	(1,961)	(59,631)
Net book amount	-	22,231	2,138	710	964	26,043

15. INTANGIBLE ASSETS (CONTINUED)

For the six months ended 30 June 2016

	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
At 1 January 2016						
Cost	7,215	64,005	2,021	1,937	2,841	78,019
Accumulated amortization & impairment	(7,215)	(34,270)	-	(1,033)	(1,486)	(44,004)
Net book amount	-	29,735	2,021	904	1,355	34,015
Period ended 30 June 2016						
Opening net book amount	-	29,735	2,021	904	1,355	34,015
Additions	-	2,607	-	-	-	2,607
Amortisation (Note 7)	-	(4,834)	-	(65)	(174)	(5,073)
Exchange differences	-	-	42	-	16	58
Closing net book amount	-	27,508	2,063	839	1,197	31,607
At 30 June 2016						
Cost	7,215	66,545	2,063	1,937	2,867	80,627
Accumulated amortization & impairment	(7,215)	(39,037)	-	(1,098)	(1,670)	(49,020)
Net book amount	-	27,508	2,063	839	1,197	31,607

Other intangible assets include customer relationships and non-competition agreements.

16. TRADE & OTHER RECEIVABLES

	30 Jun 2017 HK\$'000	31 Dec 2016 HK\$'000
Trade receivables	142,835	228,365
Less: allowance for impairment of trade receivables	(8,240)	(7,242)
Trade receivables – net	134,595	221,123
Prepayments	34,543	27,133
Value added tax receivables	29,270	22,764
Rental deposits	7,255	7,150
Other receivables	26,273	35,935
	231,936	314,105

Prepayments included in non-current assets amounted to HK\$11,656,000 (as at 31 December 2016: HK\$13,570,000).

16. TRADE & OTHER RECEIVABLES (CONTINUED)

The carrying amounts of trade receivables approximate their fair values as at 30 June 2017 and 31 December 2016. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial period, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
0 to 30 days	66,588	163,280
31 to 60 days	19,318	28,136
61 to 90 days	9,907	14,642
91 to 365 days	40,050	16,012
More than 365 days	6,972	6,295
	142,835	228,365

The ageing analysis of the trade receivables which are past due but not impaired is as follows:

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
Amounts past due but not impaired:		
Less than 30 days past due	28,651	78,872
31 to 60 days past due	9,603	13,399
61 to 90 days past due	8,230	6,170
91 to 365 days past due	30,564	10,259
More than 365 days past due	1,202	957
	78,250	109,657

The balances mainly relate to existing customers, most of which have no recent history of default.

As at 30 June 2017, trade receivables of approximately HK\$78,250,000 (as at 31 December 2016: HK\$109,657,000) were past due but not impaired. The balances were related to a number of customers that have a good track record with the Group. Based on the past experience, management estimates that the carrying amounts should be fully recovered.

17. PLEDGED BANK DEPOSITS

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
Pledged bank deposits	995	2,335
Less: non-current pledged bank deposits	(286)	(277)
Current portion	709	2,058

Pledged bank deposits represented deposits made to a bank in securing the purchase of goods from the Group's suppliers and to pledge for utilities of factory in the PRC.

18. FIXED DEPOSITS

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
Fixed deposits with maturity over three months but less than one year	–	389

19. CASH & CASH EQUIVALENTS

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
Cash & cash equivalents	71,560	143,746

20. NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's investment in Philippine Carpet Manufacturing Corporation ("PCMC"). Accordingly, management reclassified all the Group's investment in PCMC as non-current asset held for sale as at 31 December 2013, as the carrying amount would be recovered principally through sale, the investment is available for immediate sale at their present conditions and such sale is considered highly probable. The disposal has not yet been completed as at 30 June 2017.

21. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised – Ordinary shares of HK\$0.10 each:		
At 1 January 2017 & 30 June 2017	400,000,000	40,000
Issued & fully paid – Ordinary shares of HK\$0.10 each:		
At 1 January 2017 & 30 June 2017	212,187,488	21,219

22. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Properties revaluation reserve HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
Balance at 1 January 2016	189,699	55,928	4,161	8,000	71,048	328,836
Currency translation differences	–	–	–	–	2,730	2,730
Balance at 30 June 2016	189,699	55,928	4,161	8,000	73,778	331,566
Balance at 1 January 2017	189,699	55,928	4,161	8,000	55,194	312,982
Currency translation differences	–	–	–	–	26,993	26,993
Balance at 30 June 2017	189,699	55,928	4,161	8,000	82,187	339,975

23. TRADE & OTHER PAYABLES

	30 Jun 2017 HK\$'000	31 Dec 2016 HK\$'000
Trade payables	64,938	82,570
Deposits received in advance	147,578	98,636
Accrual for expenses	78,241	105,450
Other payables	72,424	72,204
	363,181	358,860

At the end of the financial period, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	30 Jun 2017 HK\$'000	31 Dec 2016 HK\$'000
0 to 30 days	36,627	69,661
31 days to 60 days	14,378	10,191
61 days to 90 days	5,394	1,747
More than 90 days	8,539	971
	64,938	82,570

24. BANK BORROWINGS – UNSECURED

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
Current		
Bills payables repayable within 60 days	4,277	2,961
Short-term bank borrowings	193,750	116,250
	198,027	119,211

25. CAPITAL COMMITMENTS

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
Authorised but not contracted for in respect of property, plant & equipment	36,663	67,452
Contracted but not provided for in respect of property, plant & equipment	55,303	18,520
	91,966	85,972

26. CONTINGENT LIABILITIES

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
Performance bonds issued by banks	11,608	19,471
Guarantee in lieu of utility deposit	1,586	1,504
	13,194	20,975

27. OPERATING LEASE COMMITMENTS

The Group has entered into a number of operating lease agreements on property, plant and equipment. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 Jun 2017		31 Dec 2016	
	Property HK\$'000	Other assets HK\$'000	Property HK\$'000	Other assets HK\$'000
Not later than one year	41,834	1,648	44,138	2,372
Later than one year and not later than five years	95,057	2,380	89,878	2,981
Later than five years	95,684	–	97,391	–
	232,575	4,028	231,407	5,353

28. RELATED PARTY TRANSACTIONS

The Mikado Private Trust Company Limited ("MPTCL") is a major substantial shareholder of the Company and MPTCL is also deemed to be interested in more than 30% of the voting power of The Hongkong and Shanghai Hotels, Limited.

The following transactions were carried out with related parties:

(a) Sale of goods & services

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Sale of carpets:		
The Hongkong and Shanghai Hotels, Limited ("HSH") ¹	2,289	1,679

Notes:

¹ By virtue of the fact that HSH is under common control with the Company, the transactions of the Company's subsidiaries with HSH and its subsidiaries are related party transactions.

(b) Key management compensation

Key management includes Chairman, Executive Director and senior management. The compensation paid or payable to key management for employee service is shown below:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Salaries & other short-term employee benefits	14,450	14,565

(c) Period/year-end balances arising from sale/purchase of goods/services

	30 Jun 2017	31 Dec 2016
	HK\$'000	HK\$'000
Trade receivable from related party:		
HSH	2,439	4,093

29. EVENTS AFTER THE REPORTING PERIOD

On 3 August 2017, the Company entered into a sale and purchase agreement with an independent third party for the disposal of the Commercial business of the Group ("Proposed Disposal") at a consideration of US\$94 million (approximately HK\$729 million). In addition, the Board intends that a special cash dividend of approximately HK\$361 million will be distributed to the shareholders and is conditional upon closing having taken place. Closing of the Proposed Disposal is subject to the approval of the shareholders of the Company and the fulfillment or waiver of the conditions specified under the sale and purchase agreement. The Proposed Disposal is expected to be completed in the second half of 2017. Details of the disposal were set out in the announcement of the Company dated 3 August 2017.

Corporate Information

Board of Directors

Chairman & Non-Executive Director
Mr. Nicholas T. J. Colfer

Chief Executive Officer & Executive Director
Mr. James H. Kaplan

Non-Executive Directors

Mr. David C. L. Tong
Mr. John J. Ying
Mr. Nelson K. F. Leong
Mr. Andrew C. W. Brandler

Independent Non-Executive Directors

Mrs. Yvette Y. H. Fung
Mr. Roderic N. A. Sage
Mr. Lincoln C. K. Yung
Mr. Aubrey K. S. Li

Executive Committee

Mr. Nicholas T. J. Colfer (*Committee Chairman*)
Mr. James H. Kaplan
Mr. David C. L. Tong
Mr. John J. Ying
Mr. Nelson K. F. Leong

Audit Committee

Mr. Roderic N. A. Sage (*Committee Chairman*)
Mr. Aubrey K. S. Li
Mr. John J. Ying

Remuneration Committee

Mr. Roderic N. A. Sage (*Committee Chairman*)
Mrs. Yvette Y. H. Fung
Mr. David C. L. Tong

Nomination Committee

Mr. Nicholas T. J. Colfer (*Committee Chairman*)
Mr. Lincoln C. K. Yung
Mrs. Yvette Y. H. Fung

Company Secretary

Mr. Lung Chi Sing Alex

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Principal Share Registrar and Transfer Agent

Estera Management (Bermuda) Limited
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Branch Share Registrar

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